

Invesco Global Real Estate Income Fund

Q1 2024

Key takeaways

- 1 The fund underperformed its benchmark**

Global REITs were negative on an absolute basis and underperformed broader equity markets. Concurrently, the fund's equity holdings detracted from absolute and relative return, while its debt holdings had positive absolute and relative performance.
- 2 Exposure is balanced between structural growth and cyclicals**

Given improvement in economic data, the fund added exposure to REITs that would potentially benefit from economic growth. Debt exposure favors commercial mortgage-backed securities (CMBS) in sectors with what we see as strong growth outlooks.
- 3 The prospect of easing financial conditions has remained favorable for real estate asset values**

Listed real estate has historically delivered strong returns following the final interest rate cut in a US Federal Reserve (Fed) hiking cycle when investors historically appear attracted to interest rate sensitive sectors.

Investment objective

The fund seeks current income and, secondarily, capital appreciation.

Fund facts

Fund AUM (\$M)	598.53
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Portfolio managers

Darin Turner, Grant Jackson, James Cowen, Ping-Ying Wang

Manager perspective and outlook

- Global real estate equities and debt markets traded sideways in the first quarter of 2024 as investors appeared to grapple with uncertainty tied to inflation, central bank policy and economic growth.
- Japan and Australia led absolute returns for real estate equities, while European countries, where REITs historically have higher leverage, had the worst absolute returns. Europe has remained highly sensitive to interest rate expectations and returns reflected tempered expectations for rate cuts.
- In debt markets, US CMBS had a positive return with investment grade CMBS getting a boost from annuity and insurance cash flows in the new year. Returns for real estate preferred securities and corporate bonds were flat, in line with broader debt markets.
- Our outlook for listed real estate equities is constructive as the asset class has historically had strong returns following the last rate cut in a Fed hiking cycle. That's when interest rate sensitive sectors historically draw investor attention. Historically speaking and in our view, REITs in the industrial, self-storage, health care, billboard and life science sectors should perform well.
- We expect real estate bonds and preferreds to move in lockstep with overall fixed income markets. However, US CMBS may offer the best security selection opportunities due to wide divergence in underlying property fundamentals, which could potentially result in attractive long-term returns for quality CMBS bonds.



Top issuers

(% of total net assets)

	Fund	Index
Prologis Inc	5.23	7.26
Healthpeak Properties Inc	3.79	0.80
Alexandria Real Estate Equities Inc	3.58	1.35
Rexford Industrial Realty Inc	3.23	0.64
Mitsui Fudosan Co Ltd	3.02	1.76
Public Storage	3.01	2.75
Equinix Inc	3.00	4.66
Vonovia SE	2.47	1.25
UMH Properties Inc	2.15	0.00
Terreno Realty Corp	2.02	0.34

As of 03/31/24. Holdings are subject to change and are not buy/sell recommendations.

Asset mix (%)

Dom Common Stock	39.50
Intl Common Stock	27.51
CMO - Non Agency	20.50
Dom Preferred Stock	7.12
Dom Corporate Bond	0.64
Other	1.58
Cash	3.15

Portfolio positioning

At quarter end, the fund had 66% in real estate equities, 22% in CMBS, 7% in preferreds, 1% in corporate bonds and 4% cash. During the quarter, equity exposure increased and debt exposure decreased. We trimmed several lower yielding corporate bonds and switched to higher yielding CMBS bonds. We selectively added several single-asset-single-borrower (SASB) CMBS bonds within the luxury lodging, data center and manufactured home sectors based on what we viewed as attractive yield profiles.

We maintain a balance between select structural growth and cyclical property types trading at what we consider reasonable valuations. Overall, we have worked to position the fund for stable growth with more favorable long-term fundamentals and stronger tenant health. The fund generally has underweight exposure in consumer-facing, economically sensitive REITs.

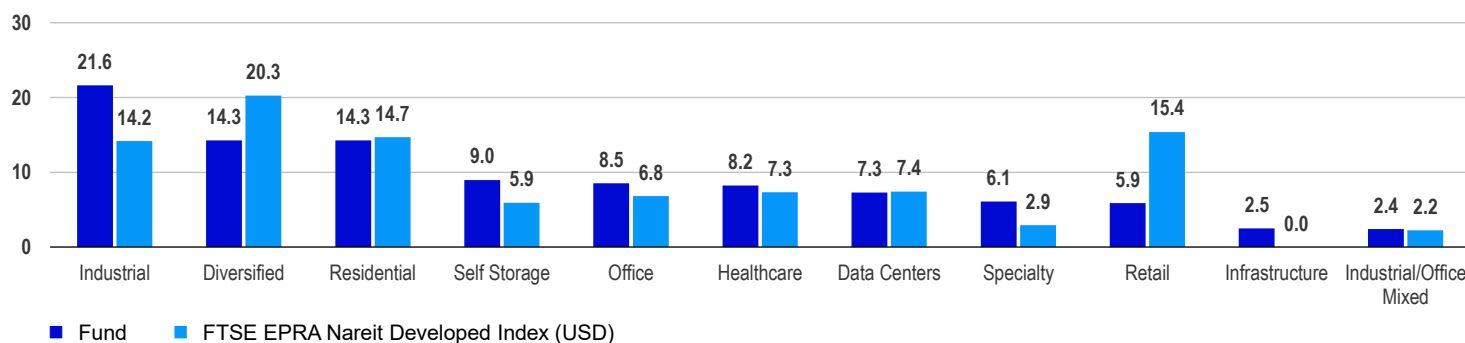
Retail is the fund's largest equity underweight due to what we see as less interesting growth and valuation characteristics compared to other sectors. The next largest underweight is the diversified sector, reflecting the fund's underweight in Japan.

The largest equity overweights are infrastructure and industrial REITs, where structural demand trends have remained broadly intact with good earnings progression anticipated. Industrial REITs offer substantial exposure to manufacturing and trade activity and consumer demand, which could do well if economic growth is higher than expected. The fund is also overweight in self-storage companies, which are expected to outperform due to easier year-over-year earnings comparisons and potential for an improving housing market to stimulate demand. The fund has an overweight in the office sector, with holdings of REITs that have high quality assets operating in favorable locations.

Regionally, the largest allocation across fixed income and equity is the US. The equity portfolio is underweight Singapore and Japan, while overweight Germany and the UK. Overweights in Germany and the UK are largely driven by our view that interest rate declines at some point in 2024 will show their deeply discounted valuations to be attractive relative to private market values.

The fund's largest debt exposure is in CMBS where we favor property types that benefit from strong demand and have solid balance sheets, including CMBS in the data center, lodging and manufactured housing sectors. We continue to monitor commercial real estate financing markets and underlying fundamentals and will be highly selective regarding any increased exposure in real estate debt.

Sector breakdown (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Mitsui Fudosan Co., Ltd.	34.08	0.79
OUTFRONT Media Inc.	22.78	0.25
Sirius Real Estate Limited	3.19	0.17
Digital Realty Trust, Inc.	7.94	0.14
Terreno Realty Corporation	6.68	0.13

Top detractors (%)

Issuer	Return	Contrib. to return
Link Real Estate Investment Trust	-23.42	-0.44
Rexford Industrial Realty, Inc.	-9.59	-0.35
Hang Lung Properties Limited	-26.44	-0.34
GLP J-REIT	-14.99	-0.32
Public Storage	-3.83	-0.19

Performance highlights

The fund had a negative absolute return and underperformed its benchmark, primarily due to underweights in the retail and data center sectors. The fund's debt portfolio had positive absolute and relative returns, mainly driven by holdings of US CMBS.

Contributors to performance

The fund's US stock selection was a key contributor to relative performance. An overweight in billboard REITs also added to relative return as the sector outperformed due to improving expectations for economic growth. An underweight in Singapore benefited relative return as REITs in Singapore have relatively high leverage, higher overseas asset exposures and high interest rate sensitivity, all of which contributed to underperformance. Within the fund's debt portfolio, certain long duration, fixed rate SASB CMBS bonds rallied on the possibility of future interest rate cuts.

Detractors from performance

The equity portfolio's underweight in the retail sector detracted from relative performance as US retail REITs reported strong earnings due to robust leasing and limited supply but provided 2024 guidance that was lower than expected. The equity portfolio's underweight in data centers was disadvantageous as structural demand trends for data center REITs remained broadly intact with a solid earnings outlook and AI providing a tailwind for investor sentiment. Finally, an underweight in the diversified sector, driven by an underweight in Japan, hurt relative return. Japanese securities outperformed as the Bank of Japan's policy announcements indicated less restrictive monetary policy than had been expected. Within the fund's debt sleeve, certain short duration SASB bonds in the multifamily and office sectors had negative returns due to refinancing concerns.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/31/02	NAV	-1.85	-1.85	7.06	-0.16	1.01	3.21	6.59
	Max. Load 5.5%	-7.26	-7.26	1.17	-2.03	-0.12	2.62	6.31
Class R6 shares inception: 09/24/12	NAV	-1.87	-1.87	7.38	0.24	1.40	3.62	3.89
Class Y shares inception: 10/03/08	NAV	-1.80	-1.80	7.35	0.13	1.27	3.47	5.49
Custom Global Real Estate Income Index		-1.30	-1.30	7.41	-1.13	-0.21	3.05	-
Total return ranking vs. Morningstar Global Real Estate category (Class A shares at NAV)		-	-	66% (136 of 192)	35% (62 of 179)	48% (96 of 179)	61% (75 of 119)	-

Expense ratios per the current prospectus: Class A: Net: 1.21%, Total: 1.21%; Class R6: Net: 0.82%, Total: 0.82%; Class Y: Net: 0.96%, Total: 0.96%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.invesco.com) for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Index sources: Invesco, RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

Performance highlights (cont'd)

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	14.29	-1.38	4.96	8.77	-4.33	18.67	-5.09	19.97	-20.93	11.86
Class R6 shares at NAV	14.89	-1.10	5.40	9.23	-3.91	19.19	-4.69	20.45	-20.63	12.34
Class Y shares at NAV	14.61	-1.15	5.23	9.06	-4.11	19.02	-4.86	20.22	-20.71	12.19
Custom Global Real Estate Income Index	15.02	-0.79	4.06	10.36	-5.63	21.91	-9.04	26.09	-25.09	9.67

Portfolio characteristics*

	Fund	Index
No. of holdings	85	362
Wtd. avg. mkt. cap (\$M)	28,117	26,928
Top 10 issuers (% of AUM)	31.61	32.38
Earnings multiple	17.29	17.50
Expected earnings growth (%)	2.45	1.98
Multiple to growth ratio	7.05	8.84
Leverage (%)	31.55	32.91

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	0.42	0.00
Beta	0.78	1.00
Sharpe ratio	-0.06	-0.11
Information ratio	0.23	0.00
Standard dev. (%)	16.27	20.41
Tracking error (%)	5.26	0.00
Up capture (%)	70.28	100.00
Down capture (%)	87.35	100.00
Max. drawdown (%)	24.16	32.15

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
CMBS	0.92	0.00	0.92
Corporate Bond	0.04	0.00	0.04
Data Centers	-0.39	0.03	-0.36
Diversified	-0.10	-0.41	-0.51
Healthcare	0.00	-0.21	-0.21
Industrial	0.02	-0.13	-0.12
Industrial/Office Mixed	0.11	0.10	0.20
Infrastructure	-0.18	0.00	-0.18
Lodging/Resorts	-0.18	0.00	-0.18
Office	0.06	0.13	0.19
Preferreds	0.04	0.00	0.04
Residential	0.00	-0.23	-0.23
Retail	-0.20	-0.20	-0.40
Self Storage	-0.04	-0.04	-0.08
Specialty	-0.07	0.33	0.26
Cash	-0.01	0.00	-0.01
Total	1.00	-1.63	-0.63

Holdings are subject to change and are not buy/sell recommendations. Attribution methodology notes: The attribution provides analysis of the effects of several portfolio management decisions, including allocation and security selection. Securities classified as "Other" may include non-equity securities, derivatives, and securities for which a sector classification may not be appropriate. The portfolio is actively managed and portfolio holdings are subject to change. The percentage weights represented for the portfolio are dollar weighted based on market value. **Market allocation effect** shows the excess contribution due to sector/market allocation. A positive allocation effect implies that the choice of sector weights in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Selection effect** shows the excess contribution due to security selection. A positive selection effect implies that the choice of stocks in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Total effect** is the difference in contribution between the benchmark and portfolio. **Past performance does not guarantee future results.**

Performance attribution (cont'd)

Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
United States	0.24	70.08	-0.32
Singapore	0.15	0.93	-17.04
Switzerland	0.06	0.00	0.00
Sweden	0.05	0.00	0.00
France	0.02	0.00	0.00

Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
China	-0.31	1.05	-26.44
Japan	-0.28	5.34	6.95
Australia	-0.21	2.25	1.56
Canada	-0.15	4.10	-4.95
United Kingdom	-0.09	5.21	-4.61

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to Custom Global Real Estate Income Index.

The Custom Invesco Global Real Estate Income Index is comprised of the FTSE NAREIT All Equity REIT Index through Aug. 31, 2011, and the FTSE EPRA/NAREIT Developed Index thereafter. An investment cannot be made directly in an index.

About risk

Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock, or the issuer's right to buy back the convertible securities.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty, and management risks. An investment in a derivative could lose more than the cash amount invested.

Environmental, Social and Governance (ESG) considerations may vary across investments and issuers, and not every ESG factor may be identified or evaluated for investment. The Fund will not be solely based on ESG considerations; therefore, issuers may not be considered ESG-focused companies. ESG factors may affect the Fund's exposure to certain companies or industries and may not work as intended. The Fund may underperform other funds that do not assess ESG factors or that use a different methodology to identify and/or incorporate ESG factors. ESG is not a uniformly defined characteristic and as a result, information used by the Fund to evaluate such factors may not be readily available, complete or accurate, and may vary across providers and issuers. There is no guarantee that ESG considerations will enhance Fund performance.

The risks of investing in securities of foreign issuers, including emerging markets, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

The performance of an investment concentrated in issuers of a certain region or country is expected to be closely tied to conditions within that region and to be more volatile than more geographically diversified investments.

Junk bonds have greater risk of default or price changes due to changes in the issuer's credit quality. Junk bond values fluctuate more than high quality bonds and can decline significantly over a short time.

Mortgage- and asset-backed securities are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Securities may be prepaid at a price less than the original purchase value.

Preferred securities may include provisions that permit the issuer to defer or omit distributions for a certain period of time, and reporting the distribution for tax purposes may be required, even though the income may not have been received. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

Real estate companies, including REITs or similar structures, tend to be small- and mid-cap companies, and their shares may be more volatile and less liquid.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

Stocks of small and medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

The fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the fund.

The opinions expressed are those of the fund's portfolio management, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products available at all firms. Financial professionals, please contact your home office.

The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

* **Alpha** (cash adjusted) is a measure of performance on a risk-adjusted basis. **Beta** (cash adjusted) is a measure of relative risk and the slope of regression. **Sharpe Ratio** is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio indicates better risk-adjusted performance. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Standard deviation** measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations. **Tracking Error** is defined as the expected standard deviation of a portfolio's excess return over the benchmark index return. The **up and down capture** measures how well a manager was able to replicate or improve on periods of positive benchmark returns and how severely the manager was affected by periods of negative benchmark returns. **Maximum Drawdown** is the maximum observed loss from a high to a low of a portfolio, before a new high is attained. Maximum drawdown is an indicator of downside risk over a specified time period. **Weighted Average Market Cap** is a measure of the average size of company held in a portfolio. The percentage of the portfolio invested each company, or its weight, is multiplied by its size (market capitalization). An average of the weighted size of all companies held is then calculated. **Earnings multiple** – Security price/expected earnings of the next 12 months. Earnings are defined as adjusted funds from operations (AFFO), funds from operations (FFO), or equivalent. **Multiple to growth ratio**—Earnings multiple/expected earnings growth over the next 12 months. Earnings are defined as adjusted funds from operations (AFFO), funds from operations (FFO), or equivalent. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

Morningstar

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Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.